



MARKET ALERT

Wednesday 17 April 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6759	0.0024
NZD/AUD	0.9424	-0.0003
NZD/JPY	75.67	-0.83
NZD/EUR	0.5989	-0.0071
NZD/GBP	0.5179	-0.0029
NZD/CNH	4.5365	0.0194
AUD/USD	0.7172	0.0027
AUD/EUR	0.6355	-0.0073
EUR/USD	1.1285	0.0175
USD/CNH	6.7124	0.0054
GBP/USD	1.3048	0.0118
EUR/GBP	0.8649	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.83%	1.69%
2 year swap	1.72%	1.54%
10 year Govt	2.02%	1.93%

GDT makes it 10 in a row

The GDT Price Index rose 0.5% at the auction overnight, making it ten straight rises and lifting the index to its highest level since July 2014. Offsetting the good news, the key Whole Milk Powder Price fell 0.7% at last night’s auction but, at USD3,269/MT, keeps Fonterra on course to raise its Farmgate Milk Payout for the 2019/20 season.

The balanced GDT auction result reinforced the market’s apprehension ahead of today’s March quarter CPI data release that has kept the NZD/USD in a tight range this week and immune to

yesterday’s down and up AUD/USD moves (resulting in up and down moves by the NZD/AUD).

Markets refuse to read RBA’s lips

The minutes of the RBA’s Board meeting on 2 April contained nothing new from a central bank perspective and reinforced the RBA’s determined ‘on hold’ stance. There were the usual global worries — “*slower external demand, especially from China,*” “*trade talks between the United States and China*” and Brexit. And, there were the familiar domestic worries — “*growth had slowed markedly in the second half of 2018,*” “*the ongoing effects of the drought*” and “*housing prices had continued to fall.*”

In conclusion, “*the central scenario was for further gradual progress to be made on both unemployment and inflation.*” Therefore, the RBA “*assessed that it was appropriate to hold the cash rate steady*” and “*will continue to monitor developments, including how the current tensions between the domestic GDP and labour market data evolve.*”

The RBA could not be more neutral. But, the markets focused on to discussions during the meeting on what might be achieved by a rate cut — supporting “*the economy through a depreciation of the exchange rate and by reducing required interest payments on borrowing.*” That focus resulted in slight drops by the AUD/USD and Australian swap rates.

The AUD/USD rebounded overnight when the USD fell after weaker than expected US industrial production data.

Fed dot plot: 101

Chicago Fed President, Charles Evans (a non-voting but reputedly hawkish member of the FOMC), has delivered a lesson on what the dot plot means. Although Evans is open to altering the way the dot plot is presented, he does not “*necessarily see why it needs to be adjusted.*” Rather, he wants to educate markets on what the dot plot tells us because “*if you didn’t provide that information, you’d be holding back on information.*”

Evans noted that “people get upset when there’s a big dispersion in the dots” because that implies that members did not agree. Rather, he claims that a big dispersion shows “*a variety of views, [and] you shouldn’t be surprised there’s a variety of positions for the future dots*” that “*is some indication of what the volatility and discussion was like at the committee meeting.*”

Conversely, when the dots are close together, it is usually because officials agree on the outlook, which is a significant signal in itself.

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DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	73.42					CAD	0.9024 0.9576
NZD/USD	0.6759	0.0004	0.0011	0.0024	0.0046	CHF	0.6807 0.7223
NZD/AUD	0.9424	-0.0001	-0.0002	-0.0003	-0.0011	CNY	4.5364 4.8136
NZD/JPY	75.67	-0.15	-0.42	-0.83	-1.70	DKK	4.4690 4.7421
NZD/EUR	0.5989	-0.0013	-0.0036	-0.0071	-0.0142	FJD	1.4406 1.5286
NZD/GBP	0.5179	-0.0006	-0.0015	-0.0029	-0.0054	HKD	5.3011 5.6251
						KRW	768.76 815.75
AU TWI	61.10					MYR	2.7891 2.9596
AUD/USD	0.7172	0.0005	0.0013	0.0027	0.0057	NOK	5.7361 6.0867
AUD/NZD	1.0611	0.0002	0.0002	0.0004	0.0012	SEK	6.2550 6.6373
AUD/JPY	80.33	-0.14	-0.43	-0.85	-1.71	SGD	0.9152 0.9711
AUD/EUR	0.6355	-0.0013	-0.0037	-0.0073	-0.0143	TWD	20.86 22.14
AUD/GBP	0.5496	-0.0005	-0.0015	-0.0028	-0.0051	ZAR	9.4812 10.0607
USD Index	97.05					EQUITIES	
EUR/USD	1.1285	0.0031	0.0087	0.0175	0.0352		Index
USD/JPY	112.01	-0.28	-0.81	-1.61	-3.25	NZX50	9,908
GBP/USD	1.3048	0.0021	0.0061	0.0118	0.0227	ASX200	6,277
EUR/GBP	0.8649	0.0009	0.0027	0.0055	0.0117	Dow Jones	26,431
						S&P 500	2,903
INTEREST RATES		New Zealand		Australia		FTSE100	7,470
		Borrow	Invest	Borrow	Invest	DAX 30	12,101
30 day bank bills		1.89%	1.85%	1.71%	1.69%	Nikkei	22,222
90 day bank bills		1.85%	1.81%	1.71%	1.67%	COMMODITIES	
FRA 90d in 3mths		1.79%	1.76%	1.63%	1.58%		USD
FRA 180d in 6mths		1.72%	1.68%	1.64%	1.60%	Dubai Light	69.90
1 year swap*		1.77%	1.74%	1.60%	1.58%	Brent Crude	71.67
2 year swap*		1.73%	1.71%	1.54%	1.53%	Gold	1,276.66
3 year swap*		1.75%	1.73%	1.56%	1.55%	Silver	15.00
5 year swap*		1.89%	1.87%	1.81%	1.80%	CRB Index	195.45
10 year swap*		2.32%	2.29%	2.20%	2.18%		
10 year Govt bond			2.00%		1.93%		

* Semi-annual rate resets except AUD 1,2,3 year quarterly

SOURCE: Bloomberg

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